

Questions & Answers

Regarding Mortgagee Letter 06-05, announcing the FHA Foreclosure Moratorium Extensions to Assist Victims of Hurricanes Katrina, Rita and Wilma.

1. Who Is Eligible?

Borrowers with FHA-insured loans on homes located in areas approved for individual assistance in Alabama, Florida, Louisiana, Mississippi and Texas in connection with Presidential major disaster declarations for Hurricanes Katrina, Rita or Wilma who are unable to maintain mortgage obligations due to hurricane related property damage, curtailment of income or increased living expenses.

2. How long will the foreclosure moratoriums remain in effect?

HUD is extending foreclosure moratoriums for eligible FHA-insured loans directly affected by the disasters until June 30, 2006.

3. Are eligible borrowers required to do anything to obtain this additional foreclosure forbearance?

Yes. By March 31, 2006, eligible borrowers must make a written commitment to work with their mortgage holder/servicer to develop and implement a plan to resolve delinquent loan payments and make required home repairs. The foreclosure moratorium will terminate on March 31, 2006 for all loans where the borrower has not made a written commitment by that date.

4. Do plans to resolve mortgage defaults have to be finalized by March 31st?

No. An eligible borrower only has to make a commitment by March 31, 2006 to develop a specific plan of action and work with the mortgage holder/servicer to implement it. Borrowers and their mortgagees would then have until June 30, 2006 to finalize an appropriate plan of action.

5. How can a borrower make a written commitment?

The written commitment may be an application to utilize one of the FHA loss mitigation options, including Special Forbearance, Mortgage Modification, Partial Claim, Mortgage Assistance Initiative or Deed-In-Lieu of Foreclosure, or it may be a written communication from the borrower delivered by mail, fax or electronic media requesting additional time to work with the mortgagee/servicer to resolve the debt.

6. What efforts must a mortgagee/servicer make to contact eligible homeowners?

Mortgagees and their servicers are expected to make proactive attempts to contact affected borrowers using all reasonably available means and information. When telephone contact cannot be established, a written notice explaining available relief measures and requirements should be mailed to the borrower(s) last known address with address service requested. If the borrower has filed a change of address notice, the US Postal Service will forward the mail and provide a separate notice to the sender of the new address. Mortgagee/servicer notice letters to borrowers should include a telephone call back number to reach a Loss Mitigation Specialist and the address to which borrower written commitment responses should be sent.

7. Are any special relief measures to resolve mortgage defaults available for eligible homeowners with FHA-insured loans?

Yes. On December 1, 2005, HUD issued Mortgagee Letter 05-46, which announced a special Mortgage Assistance Initiative to help borrowers with FHA-insured loans who were directly affected by the disasters, have a home that is habitable or can be repaired and are committed to continued occupancy of the property as their main residence. Under the Initiative, FHA will advance up to 12 monthly mortgage payments for eligible borrowers. The 12 mortgage payments may include both those that are already past due and those that will become due before the borrower is able to resume full monthly mortgage payments. The payments made on the borrower's behalf are secured by an interest free subordinate mortgage on the property and no payment on that loan is required until the balance of the FHA-insured first mortgage is paid in full either through amortization or early payoff. If an eligible borrower is subsequently unable to resume making the full monthly mortgage payments due to an unanticipated change in circumstances, the lender may offer a long term repayment plan, known as a special forbearance or may permanently modify the mortgage to resolve the default under a special mortgage modification provision only available to borrowers in the FEMA designated individual assistance areas. A Question and Answer document regarding the FHA Mortgage Assistance Initiative can be found on HUD's website at:

<http://www.hud.gov/offices/hsg/sfh/nsc/rep/maiqa.pdf>.

8. Is any help available for borrowers who are not eligible for the extended foreclosure moratorium?

Borrowers who are not eligible for this assistance may qualify for some other form of relief under HUD's loss mitigation program for FHA-insured loans. Information on available help for homeowners can be found on HUD's website at:

<http://www.hud.gov/offices/hsg/sfh/econ/econ.cfm>

9. Does HUD offer any sources of funding to pay for repair or replacement of properties with disaster damage?

Yes. HUD has two programs that may be options for borrowers in need of additional repair funding.

- **203h** – Under the 203(h) program, FHA insures mortgages for victims of a major disaster who have lost their homes and are in the process of rebuilding or buying another home. Individuals are eligible for this program if their home -- whether they owned their home or rented-- was located in an area designated by the President as a disaster area, and their home was damaged to such an extent that reconstruction or replacement is necessary.
- No down payment is required under the Section 203(h) program. Subject to maximum loan amount restrictions, eligible individuals who are able to qualify for a mortgage through FHA's underwriting guidelines can obtain 100 percent financing for purchase of a home anywhere in the United States. For more information, visit HUD's website at:
<http://www.hud.gov/offices/hsg/sfh/ins/203h-dft.cfm>
- **Standard 203k** – This loan program allows borrowers to obtain a single loan for both the purchase and rehabilitation of a property that needs extensive repair. A 203k loan can be used to buy a new home, or to refinance an existing loan, even if the original loan is not FHA insured.

- **Streamlined 203k** — This loan is similar to the 203k but is specially designed for properties that require only limited repairs that will cost between \$5,000 and \$15,000. Under this program, a homebuyer can finance into the mortgage an additional amount up to \$15,000 to be applied toward the repair and rehabilitation of the home.

More information regarding both of these home repair loan programs can be found on HUD's website at:

<http://www.hud.gov/offices/hsg/sfh/203k/203kmenu.cfm>

For more information about any of HUD's loan programs contact a HUD-approved lender or call the HUD National Servicing Center Hotline at: 1 (888) 297-8685.